

How to Compare Homeowners Policies

Picking the right provider for your home insurance involves a lot more than just cost. But with the vast number of insurance companies out there, how do you know which one to pick? Here are four key questions to ask when performing your very own **home insurance comparison**.

What's the insurance company's financial rating?

This step is critical. You'll have to confirm the ability of the insurer to pay out claims in a timely manner. It's important that you only do business with insurers who have sound financial ratings. You can research this yourself through **A.M. Best**, a third-party company that specializes in credit ratings for insurance companies.

What perils does the insurance company cover?

A home insurance provider will either offer coverage for "open perils" or "named perils." Named peril coverage explicitly lists all of the perils that are covered by your insurance policy—such as fires, windstorm and hail. Anything that's not listed isn't covered. On the other hand, open peril insurance policies are widely considered as being more comprehensive. In an open peril policy, the only perils not covered are the perils that are specifically listed. Having an understanding of exactly what risks are covered and what risks aren't is critical to finding the right policy for you.

What's the insurer's valuation clause?

When insurance companies pay out, they typically do so through one of two methods: **replacement cost or actual cash value**. Although these may sound similar, they're not. Replacement cost is the amount it would cost to rebuild or replace at the time of the loss. Actual cash value is the replacement cost less depreciation, which is the decrease in an item's value due to age, condition or other factors. For example, if your home was built 25 years ago and it needs a new roof, a homeowners insurance company that utilizes the replacement cost valuation method will pay the full cost in today's dollars. Those who use the actual cash value method will only pay the amount it would cost to replace the roof reduced by the amount of depreciation, which is likely to be substantially less than what you'll need to put a new roof over your head.

How is their customer service?

It's one thing to be assured of top-quality customer service before you sign on the dotted line. It's another thing entirely to discover after the fact that you were given rose-colored impressions that fall far short of reality. But, you don't have to go into the relationship with a new homeowners insurance provider blind. You should find out what kinds of features your insurer offers to make your life easier, whether that be online claim reporting and tracking or a network of agents you can speak to in person.

Now that you've got an idea of what kinds of questions to ask, you'll be in a better position to choose a home insurance provider that will adequately meet your needs. It may seem like a bit of work at the outset, but where the long-term security of your home and your valuables is concerned, you'll probably agree that going the extra mile is well worth your effort.

If you are interested in a homeowners quote please contact me jellzey@stielinsurance.com or 985-969-2682.

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